

Message Text

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ACTION NEA-10

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FM AMEMBASSY BEIRUT
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C O N F I D E N T I A L BEIRUT 3101

DEPT ALSO PASS AID AND EXIMBANK

E.O. 11652: GDS
TAGS: ECON ECRE EFIN OTRA LE
SUBJ: EXIMBANK VISITORS MEET WITH PRIME MINISTER

REF: BEIRUT 3018

1. AMBASSADOR AND VISITING EXIMBANK OFFICIALS MORAN, HAMMOND, AND DONEGAN MET WITH PRIME MINISTER AL-HOSS JUNE 28. LATTER SAID THAT GOL IS VERY INTERESTED IN EXIMBANK PROGRAMS AND WOULD LIKE TO DISCUSS DETAILS IN NEAR FUTURE. AL-HOSS BELIEVED THAT IF LEBANESE COULD WORK OUT AGREEMENT WITH EXIMBANK, THEY WOULD BE ABLE TO WORK OUT SIMILAR ONES WITH HERMES, COFACE, AND ECGD.

2. MORAN REPLIED THAT HE APPRECIATED PRIME MINISTER'S INTEREST, BUT THAT NO FINAL DECISION COULD BE TAKEN UNTIL TEAM RETURNED TO WASHINGTON. MORAN ALSO NOTED THAT GOL WILLINGNESS TO PROVIDE GOVERNMENT GUARANTEES FOR LOANS WOULD PROBABLY BE NECESSARY IF EXIMBANK WERE TO EXTEND CREDITS.

3. PRIME MINISTER OBSERVED THAT HE HAD GIVEN CONSIDERABLE THOUGHT TO GUARANTEE SYSTEM. ALTHOUGH GOL HAD NOT YET WORKED OUT DETAILS, IT WAS PREPARED TO PROVIDE GUARANTEES THROUGH RECONSTRUCTION AND DEVELOPMENT BOARD. GOVERNMENT
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WOULD GIVE PRIORITY TO CREDITS FOR INDUSTRIAL FACILITIES AND HOTELS, BOTH OF WHICH NEEDED EQUIPMENT FROM UNITED STATES.

4. IF EXIMBANK WILLING TO EXTEND CREDITS TO LEBANESE, IT SHOULD WORK THROUGH THE RECONSTRUCTION AND DEVELOPMENT BOARD, PRIME MINISTER SAID. SINCE BOARD HAD NO STAFF, HOWEVER, IT WOULD RELY ON PERSONNEL OF NATIONAL BANK OF TOURISM AND

DEVELOPMENT (OF WHICH AL-HOSS USED TO BE CHAIRMAN) TO EVALUATE AND ADMINISTER LOANS. THUS BOARD WOULD BE "FRONT," BUT DEVELOPMENT BANK WOULD DO REAL WORK.

5. MORAN NOTED THAT DEVELOPMENT BANK HAD BEEN CRITICIZED FOR IMPOSING UNREASONABLY STRINGENT CONDITIONS ON ITS LOANS TO PRIVATE SECTOR, AND SOME PEOPLE CLAIMED THIS WAS INDICATIVE OF GOVERNMENT'S UNWILLINGNESS TO TAKE NECESSARY RISKS. AL-HOSS BELIEVED THIS WAS TO CERTAIN EXTENT UNFAIR ACCUSATION BY CRITICS OF GOL. HALF OF BOARD OF DIRECTORS OF DEVELOPMENT BANK WERE COMMERCIAL BANKERS, AND THEY "INJECTED VERY CONSERVATIVE BANKING VIEW" INTO DEVELOPMENT BANK'S POLICIES.

6. PRIME MINISTER AGREED, HOWEVER, THAT GOL HAD NOT MOVED AS FAST AS IT MIGHT. HE EXPLAINED THAT LEBANON FACES VERY COMPLEX PROBLEMS, DIFFICULT FOR NON-LEBANESE TO UNDERSTAND. FOR EXAMPLE, GERMANY, FRANCE, AND ITALY HAD EMERGED FROM WORLD WAR II UNITED AND DETERMINED TO REBUILD. "WE CAME OUT OF OUR WAR MORE DIVIDED THAN BEFORE." GOL COULD NOT THEREFORE JUST FOCUS ON RECONSTRUCTION; IT MUST ALSO ATTEMPT TO DEAL WITH SOCIAL AND POLITICAL PROBLEMS.

7. LEBANON IS CAUGHT IN MANY VICIOUS CIRCLES, PRIME MINISTER CONTINUED. TO SOLVE SOCIAL PROBLEMS, FOR EXAMPLE, GOL MUST GET ECONOMY MOVING. BUT TO GET ECONOMY MOVING, GOL MUST SOLVE SOCIAL PROBLEMS. SAME HOLDS TRUE FOR RELATIONSHIP BETWEEN

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POLITICAL AND ECONOMIC MATTERS.

8. MOREOVER, LEBANESE GOVERNMENT WAS NOT DESIGNED TO INTERVENE IN ECONOMY AND "MESSES UP" WHEN IT DOES, PRIME MINISTER SAID. OFFICE OF CEREALS AND SUGAR BEETS, FOR EXAMPLE, WAS VERY INEFFICIENT AND GOL WOULD HAVE ENDED ALL RESTRICTIONS ON PRIVATE IMPORTATION OF GRAIN WERE IT NOT FOR PL-480 AGREEMENT RECENTLY SIGNED WITH UNITED STATES. INDEED, GOL WAS ALREADY APPROVING ALL REQUESTS FOR PRIVATE IMPORTATION OF RICE. GOVERNMENT WOULD THEREFORE ACT "IN LEAST INTERVENTIONIST WAY" POSSIBLE AND PLANNED ADMINISTER RECONSTRUCTION EFFORT THROUGH PRIVATE BANKS. (SEE BEIRUT 0191).

9. NEVERTHELESS, GOL HAS DONE MORE THAN GENERALLY ACKNOWLEDGED. IT HAS PLACED GREAT FINANCIAL PRESSURE ON LOCAL COMMERCIAL BANKS, WHICH ARE DROWNING IN EXCESS CASH. IN EFFORT TO MAKE BANKS USE THEIR FUNDS COMMERCIALY, GOL HAS REFUSED TO ISSUE BONDS TO SOP UP LIQUIDITY.

10. GOVERNMENT HAS ALREADY BORROWED LL ONE BILLION FROM CENTRAL BANK. GOL COULD NOT HOWEVER SPEND TOO MUCH OF ITS OWN MONEY WITHOUT SHAKING VERY FOUNDATIONS OF COUNTRY'S ECONOMY. PRIME

MINISTER CONCLUDED THAT WAS WHY LEBANON COULD NOT START
RECONSTRUCTION WITHOUT OUTSIDE HELP.
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